

## Message Text

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ACTION NEA-12

INFO OCT-01 IO-14 ISO-00 AF-10 EB-11 SIL-01 LAB-06 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

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TRSE-00 DRC-01 EUR-25 /180 W

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FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC 4648

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY TEL AVIV

USMISSOON USUN NY

C O N F I D E N T I A L JERUSALEM 1245

E.O. 11652: GDS

TAGS: ECON, ELAB, IS, JO

SUBJ: ECONOMIC SITUATION IN JERUSALEM AND WEST BANK

REF: JERUSALEM 1205

SUMMARY. INDUSTRY IN JERUSALEM FACES SUPPLY AND MANPOWER PROBLEMS BUT PRODUCTION SO FAR APPARENTLY NOT SERIOUSLY AFFECTED. TRUCK TRANSPORT STILL MAJOR PROBLEM. SOME ARAB WORKERS RETURNING TO WORK IN ISRAEL, PARTICULARLY SKILLED TECHNICIANS IN MANUFACTURING FIRMS AS OPPOSED TO CONSTRUCTION LABORERS, BULK OF WHOM STAYING AWAY. WEST BANK EXPERIENCING SMALL BUILDING "BOOM". END SUMMARY.

1. ISRAELI SOURCES IN JERUSALEM INFORM US THAT MAIN PROBLEMS FACING LOCAL INDUSTRY ARE SUPPLY AND MANPOWER. FORMER IS PRIMARILY FUNCTION OF TRANSPORT DIFFICULTY AND HAS SO FAR NOT CAUSED MAJOR PRODUCTION PROBLEMS. MOST FIRMS HAVE ABOUT

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TWO TO THREE MONTHS SUPPLY OF BASIC MATERIALS ON HAND AND

ABOUT ANOTHER TWO OR THREE MONTH SUPPLY TIED UP IN PORTS OR ENROUTE TO ISRAEL FROM ABROAD.

2. TRANSPORT PROBLEM BEING MET IN PART BY HIRING TRUCKS FROM OCCUPIED TERRITORIES, SINCE THESE NOT MOBILIZED BY GOI. THERE ARE NO HEAVY-DUTY ARAB-OWNED TRUCKS, HOWEVER, SUCH AS REQUIRED FOR 30-TON LOAD. ALEXANDER RAFAELI (ACTING CHAIRMAN OF ISRAELI MANUFACTURING ASSOCIATION) REPORTS WEST BANK TRUCK OWNERS CHARGING DOUBLE OR TRIPLE PRE-WAR RATES; EVEN EAST JERUSALEM TRUCKERS, WHO TECHNICALLY BOUND BY GOI-PRESCRIBED MAXIMUM RATES, GETTING 50 PERCENT HIGHER PRICES.

3. RAFAELI ESTIMATES ESSENTIAL INDUSTRIES NOW HAVE 95 TO 100 PERCENT OF NORMAL WORK FORCE ON HAND AND OTHER INDUSTRIES ABOUT 50 PERCENT. MANY FOREIGN COLLEGE STUDENTS FILLING IN. HE REPORTS MALE ARAB EMPLOYEES IN ISRAELI MANUFACTURING INDUSTRY NOW SLOWLY RETURNING TO WORK. (ALL SOURCES AGREE ARAB WOMEN WORKERS STAYING HOME.) HE CLAIMS ABOUT THIRD OF THESE CAME TO JOBS IN JERUSALEM AREA DURING WAR, MOST ARRIVING LATE (APPARENTLY TO DISGUISE FACT THEY WERE CONTINUING TO WORK), AND THAT ABOUT TWO-THIRDS NOW AT WORK. THESE ARE MOSTLY HIGHLY SKILLED, OR VERY POOR UNSKILLED WHO NEED MONEY. PROPORTIONATE NUMBER OF CHRISTIAN ARABS WHO HAVE RETURNED TO JOBS MUCH HIGHER THAN MOSLEMS, ACCORDING TO RAFAELI. HE ALSO AGREES WITH OTHER SOURCES THAT CONSTRUCTION WORKERS (WHO CONSTITUTE SIGNIFICANT PERCENTAGE OF ARAB WORKERS IN JERUSALEM) GENERALLY HAVE NOT RETURNED.

4. ARAB SOURCES IN NABLUS AND BETHLEHEM INDICATE RETURN OF ARAB WORKERS TO ISRAEL VERY SLOW. OF 10-15,000 IN NABLUS AREA, AT MOST "SOME HUNDREDS" SAID TO HAVE GONE BACK THIS WEEK. EAST JERUSALEM LABOR EXCHANGE HAS VERY FEW UNEMPLOYED WORKERS REGISTERED (AND SOMEWHAT SURPRISINGLY NO REQUESTS FOR WORKERS FROM EMPLOYERS).

5. BY-PRODUCT OF VIRTUAL CONSTRUCTION HALT IN ISRAEL IS SAMLL BUILDING "BOOM" IN WEST BANK, WHERE BOTH CEMENT (FROM ISRAEL) AND LABOR NOW AVAILABLE. REPORTS REACHING US INDICATE THAT WEST BANKERS, AT LEAST SO FAR, NOT MUCH HURT BY OTHERWISE DEPRESSED BUSINESS SITUATION. SOME ARABS WHO HAD JOBS IN ISRAEL REPORTEDLY CONFIDENTIAL

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HAVE GONE BACK TO CULTIVATING LAND WITH POSSIBILITY THEY MAY CONTINUE THIS FOR EXTENDED PERIOD.

6. IN DISCUSSING FUTURE, RAFAELI SAID BANK OF ISRAEL AUTHORIZING ADDITIONAL CREDIT TO ASSIST INDUSTRY OVER NEXT FEW MONTHS, BUT HE BELIEVES MOST INDUSTRIALISTS TEND TO EXAGGERATE CREDIT NEEDS. BOTH HE AND WEST JERUSALEM CHAMBER OF COMMERCE SOURCE COMMENTED THAT CONSUMER GOODS INDUSTRY LIKELY TO SUFFER IN COMING MONTHS,

AS RESULT OF DECREASED BUYING POWER OF AVERAGE ISRAELI. FROM STRICTLY ECONOMIC VIEWPOINT, HOWEVER, RAFAELI THINKS WAR AND AFTERMATH MAY BRING SOME BENEFICIAL RESULTS, PROVIDING CONVENIENT EXCUSE TO TAKE NEEDED BUT POLITICALLY UNPOPULAR ACTIONS TO CUT INFLATION RATE.

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